

REMARKS/ARGUMENTS**Response to Notice of Non-Compliant Amendment Mailed November 22, 2010**

Claims 1-20 were pending at the time of the non-final Office Action mailed October 9, 2009. Claim 21 was first presented in Amendment A, which was not entered. Thus, the first new claim presented herein is Claim 21.

Claims 1-20 have been rejected. Claims 1-20 are cancelled herein, without prejudice to Applicant's right to pursue those claims in a continuing application. New Claims 21-37 have been added. Claims 21 and 36 (formerly Claims 1 and 7) are in independent format. New Claims 21-37 have been added. No claims have been amended.

The Examiner issued a Notice of Non-Compliant Amendment, mailed November 22, 2010, finding the amendments to Claims 1 and 7 non-compliant because the amendments failed to properly show the additions and deletions made to those claims.

Applicant wishes to thank the Examiner for the teleconference on January 4, 2011. As suggested by the Examiner during the teleconference, Applicant has elected to cancel Claims 1 and 7 and add the subject matter of those claims as new claims. Claim 1 has been added as Claim 21, and Claim 7 has been added as Claim 36. New dependent claims 22-36 were first presented in the Response to Non-Compliant Amendment, filed on June 23, 2010, which was not entered. These dependent claims have been renumbered as new Claims 22-35 and 37 respectively, to properly group them with independent Claims 21 and 36, from which they now depend.

Applicant notes that several additions were made to the wording in the third, fifth, seventh and eighth paragraphs of Claim 36 (formerly Claim 7), in order to correct antecedent basis issues. Other than the changes described in the above paragraph, no other changes have been made to the claims with respect to the Response to Non-Compliant Amendment, filed on June 23, 2010.

The following sections have been updated to reflect the above changes to the claims.

Response to Notice of Non-Compliant Amendment Mailed June 23, 2010

In response to the Notice of Non-Compliant Amendment, mailed June 23, 2010, Claims 2-6 have been cancelled. Particularly, the Office Action Response filed on March 26, 2010 incorrectly identified amended Claims 2-6 as 'previously presented'. Accordingly, as Claims 2-6 have been cancelled, the grounds for the non-compliant amendment no longer apply.

Objection to the Specification

The Examiner objected to the Abstract because it contains references to the drawings. In accordance with the Examiner's suggestion, the Abstract has been amended to remove the references to the drawings. Applicant respectfully requests that the Examiner withdraw the objection.

The paragraph beginning at page 17, line 6 has been amended herein to correct minor typographical errors.

Claim Rejections under 35 U.S.C. § 112

The Examiner rejected Claims 9-20 as indefinite under 35 U.S.C. § 112, second paragraph, because the Examiner is unable to determine what the Applicant is claiming by the claim language "the use of the exchange." (Oct 1, 2009 Office Action ("Office Action"), pg. 3, para. 4). The Examiner states that if Applicant is claiming a system for usage of the method, structure of the system needs to be provided. *Id.* As discussed above, Claims 9-20 have been cancelled, without prejudice to Applicant's right to pursue those claims in a continuing application. Applicant respectfully submits that the grounds for rejection are moot and requests that the rejection under 35 USC § 112 be withdrawn.

Claim Rejections under 35 U.S.C. § 101

The Examiner rejected Claims 1-20 under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory subject matter. (Office Action, pg. 3,

para. 5). The Examiner notes that to qualify as patent eligible, a process must positively identify the apparatus that accomplishes the method steps. (*Id.*, pg. 4, para. 5; pg. 5, para. 5).

On June 28, 2010, after Applicant submitted his Amendment A on March 26, 2010, the Supreme Court issued its decision in *Bilski v. Kappos*. 561 US __, 129 S. Ct. 2735. Applicant submits the following remarks, which replace those contained in Amendment A, to address the *Bilski* decision.

Since application of the Machine-or-Transformation test can no longer constitute the basis of a *prima facie* rejection under 35 U.S.C. § 101 and the claims recite patent-eligible subject matter because they are not directed to an excluded class, Applicant respectfully requests that the rejection of Claims 1-20 under 35 U.S.C. § 101 be withdrawn.

Subject to the foregoing, and without prejudice to pursue the original claims in a continuation or continuation-in-part application, independent Claims 21 and 36 (formerly Claims 1 and 7) have been amended to positively identify an apparatus, i.e. an exchange comprising an interface structured and operable to execute a transaction and a database containing membership, registration and transaction detail, that accomplishes the method steps. Support for these amendments can be found, for example, at paragraphs [0120] and [0123] of the Specification. Additionally, Claims 21 and 36 (formerly Claims 1 and 7) require a central media database containing a list of unique digital master identifiers and associated owner identifiers, and the copies of digital masters. Thus, Claims 1 and 7 (now Claims 21 and 36, respectively), now each qualify as a process that positively identifies the apparatus that accomplishes the method steps, and therefore, Claims 21 and 36 (formerly Claims 1 and 7) recite statutory subject matter. Applicant respectfully requests that the Examiner withdraw the rejection under 35 U.S.C. § 101.

On page 3, paragraph 5, the October 1, 2009 Office Action ("Office Action") rejected claims 1-20 under 35 U.S.C. § 101 as allegedly being directed to non-statutory subject matter. More specifically, the Office Action held that

because the claims allegedly do not meet the Machine-or-Transformation (M-or-T) Test, the claims are deemed not to recite patentable subject matter and the burden is passed to Applicant to demonstrate compliance. As discussed above, Applicant believes that Claims 21 and 36 (formerly Claims 1 and 7), are patentable under the M-or-T Test. However, even if the claims are found to be unpatentable under the M-or-T Test, Applicant respectfully submits that application of the M-or-T Test is insufficient to make a *prima facie* rejection under 35 U.S.C. § 101 and further, Applicant's claims are compliant with 35 U.S.C. § 101 because the claims are not directed to abstract ideas, laws of nature or natural phenomena.

Application of the M-or-T Test does not Constitute a *Prima facie* Rejection under 35 U.S.C. § 101

Applicant respectfully notes that demonstrating a lack of compliance with the M-or-T Test is insufficient to make a *prima facie* rejection under 35 U.S.C. § 101. Where no *prima facie* case has been made, the burden cannot be passed to Applicant. In its memo to Examiners regarding *Bilski*, the USPTO correctly noted that the Supreme Court stated that the M-or-T Test is a “useful and important clue” for determining whether claims recite patentable subject matter (see *In re Bilski*, Slip Op. at 8). However, this merely means that claims meeting the M-or-T Test are likely to recite patentable subject matter. It is not dispositive that claims that allegedly fail the M-or-T Test **do not** recite patentable subject matter. As stated by the Supreme Court, “[a]dopting the machine-or-transformation test as the sole test for what constitutes a ‘process’ (as opposed to just an important and useful clue) violates ... statutory interpretation principles” (Slip Op. at 6-7). Rather, the only way the USPTO can currently meet its burden for rejecting claims under 35 U.S.C. § 101 is to demonstrate that the claims are directed to an abstract idea, a law of nature or natural phenomena. These are the only classes of subject matter explicitly forbidden by the Supreme Court as not being patent-eligible. The Supreme Court overruled the M-or-T Test as the sole test for determining patentable subject matter, so

the application of the M-or-T Test to allegedly pass the burden to Applicant to demonstrate patentable subject matter is insufficient.

The Claims Recite Patent-Eligible Subject Matter because they are not Directed to an Excluded Class

In the interest of furthering prosecution, Applicant respectfully submits that the claims are patent-eligible because they are not directed to abstract ideas, laws of nature or physical phenomena. For instance, the claimed subject matter is directed to the sale of rights to digital or physical media (Specification, paras. [0003], [0021], [0048], and [0054]; Claims 3 and 11) rather than being a mere mental process, and thus the claims are not directed to an abstract idea. Unlike the claims at issue in *Bilski*, where the risk hedging method could be largely performed mentally by a human being, the claimed invention positively identifies an apparatus, i.e. an exchange comprising a data storage locker and a database containing membership, registration and transaction detail, required to accomplish the method steps.

Additionally, in *Bilski*, the Court, after analyzing the claims, compared them to the claims in three previous Supreme Court cases *Gottschalk v. Benson*, 409 U.S. 63 (1972); *Parker v. Flook*, 437 U.S. 584 (1978); and *Diamond v. Diehr*, 450 U.S. 175 (1981) (see Slip Op. at 13-15). The Court then concluded that Bilski's claims were excluded from the scope of 35 U.S.C. § 101 because they were "just like the algorithms at issue in *Benson* and *Flook*" (see *Id.* at 15). The Court noted that "[c]laim 1 describes a series of steps instructing how to hedge risk. Claim 4 puts the concept articulated in Claim 1 into a simple mathematical formula." In contrast, the claims here do not involve a mathematical formula or an algorithm as did the claims in *Bilski*, *Benson* and *Flook*. Rather, the claims more closely resemble those in *Diehr*, which the Court held were patent-eligible since the claims were an actual process and not merely an attempt to patent a mathematical formula.

The claims of the present application also differ from the claims in *Bilski*, in that the claims would not preempt use of this approach in all fields, effectively granting a monopoly over an abstract idea. (*Id.*) The claims recite elements

that positively limit the application of the claims to an exchange which facilitates the transfer of rights to digital and physical media in a particular fashion.

Further, these elements do not merely restrict an abstract idea to one field of use or add token postsolution components. (see *Id.* at 15). Rather, exemplary elements, such as "storing a master copy of the digital media in a central media database", "providing a central media database containing a list of the owner identifiers and unique digital media identifiers", and "distributing, through said exchange interface, a verified copy of the master copy of said digital media from said central media database to said buyer" recite steps that are essential to the functioning of Applicant's claimed exchange.

Further, the claims are not directed to laws of nature or physical phenomena. Applicant's digital copyright exchange facilitates the transfer of a legal right, ownership, to a copyrighted or other work that is embodied in a physical or digital media in exchange for money. Applicant's digital copyright exchange facilitates such a transfer by tracking ownership and ensuring the integrity of the transaction by providing a verified copy of the physical or digital media in which the work subject to the ownership transfer is embodied.

Thus, the Office Action's application of the M-or-T Test does not constitute a *prima facie* rejection under 35 U.S.C. § 101 and further, that Claims 1-21 recite patentable subject matter that is not directed to abstract ideas, laws of nature or physical phenomena. Further, Applicant believes that Claims 21 and 36 (formerly Claims 1 and 7) are patentable under the M-or-T Test.

Claim Rejections under 35 U.S.C. § 102

Claim 8 is rejected under 35 U.S.C. 102(e) as being anticipated by O'Kane et al. Pub. No. 2003/0097299 ("O'Kane"). Claims 9 and 17 are rejected under 35 U.S.C. 102(e) as being anticipated by Donian et al. Pub. No. 2004/0003398 ("Donian"). Claims 8, 9 and 17 have been cancelled herein. Therefore, Applicant submits that the rejection of Claims 8, 9 and 17 under 35 U.S.C. §102 (e) has been rendered moot.

Claim Rejections under 35 U.S.C. § 103**Claims 3, 10-17 and 18-20**

In this Office Action, the Examiner made the following rejections under 35 U.S.C. §103:

- Claim 3 as being unpatentable over *Pou* in view of *O'Kane* and further in view of Mikkelsen et al. US Patent Number 7,548,875 (“*Mikkelsen*”);
- Claims 10 and 13 as being unpatentable over *O'Kane* in view of *Donian*;
- Claims 11-12 and 18 as being unpatentable over *O'Kane* in view of *Pou*;
- Claim 14 as being unpatentable over *O'Kane* in view of *Donian* further in view of *Pou*;
- Claim 15 as being unpatentable over *O'Kane* in view of Wu Pub. No. 2003/0074322 (“*Wu*”);
- Claim 16 as being unpatentable over *O'Kane* in view of Tadayon et al. US Patent Number 7,222,104 (“*Tadayon*”);
- Claim 20 as being unpatentable over *O'Kane* in view of Moskowitz et al. Pub. No. 2003/0200439 (“*Moskowitz*”); and
- Claim 19 as being unpatentable over *O'Kane* in view of *Pou* further in view of Demers et al. Pub. No. 2004/0068536 (“*Demers*”).

Claims 2-6 and 8-20 have been cancelled herein. Therefore, Applicant submits that the rejection of Claims 3, 10-17 and 18-20 under 35 U.S.C. §103 (a) has been rendered moot.

Claims 1, 2 and 4-7

In this Office Action, the Examiner made the following additional rejections under 35 U.S.C. §103:

- Claims 1-7 as being unpatentable over Pou et al. Pub. No. 2005/004873 (“*Pou*”), in view of *O'Kane*;
- Claims 2 and 4-7 as being unpatentable over *Pou*;

Claims 2-6 have been cancelled herein. Therefore, Applicant submits that the rejection of Claims 2-6 under 35 U.S.C. §103 (a) has been rendered moot.

Applicant respectfully traverses the rejections of Claims 1 and 7 under 35 U.S.C. § 103. Applicant believes the Examiner has not established a *prima facie* case of obviousness for Claims 21 and 36 (formerly Claims 1 and 7). However, and without prejudice to Applicant pursuing the subject matter claimed by Claims 21 and 36 (formerly Claims 1 and 7) in a continuing application, Claims 1 and 7, presented as new Claims 21 and 36, have been amended herein to require the following steps:

- receiving, from an owner of the item, a request to list the item on the commercial exchange;
- verifying that the owner legally possesses the item;
- determining whether a digital master of the item exists in a central media database, storing the digital master in the central media database and assigning a unique identifier associated with the digital master when the digital master of the item does not exist in the database and selecting the unique identifier associated with the digital master when the digital master of the item does exist in the database;
- assigning a unique owner identifier to the digital media master of the item stored in the central media database, the unique owner identifier associating the verified legal owner of the item with the digital master;
- maintaining a list of the unique owner identifiers and the associated unique digital master identifiers in the central media database; and
- operatively associating the central media database with an exchange interface structured and operable to execute a transaction between at least one of the verified legal owner and an acquirer.

Additionally, Claim 36 (formerly Claim 7) has been amended to require that the searchable index of digital media files offered for sale by members of the peer-to-peer network includes digital media files that also correspond to a unique digital master contained in the central media database.

Applicant submits that none of the prior art references cited by the Examiner, alone or in combination, shows or suggests the combination of steps required by Claims 21 and 36 (formerly Claims 1 and 7, respectively). Therefore, Claims 1 and 7 are believed to be in condition for allowance. A Notice of Allowability with respect to these claims is thus respectfully requested.

New Claims

Claims 21-37 have been added. Claims 21-37 depend directly or indirectly from Claims 21 and 36 (formerly Claims 1 and 7) and are patentable with those claims for at least the reasons discussed above. In addition, each claim add features, which in the claimed combination, are believed to be new and un-obvious.

Claim 22, which depends from Claim 1, recites subject matter similar to that of cancelled Claim 11, which was dependent on cancelled Claim 9. In the last Office Action, the Examiner rejected Claim 11 as being unpatentable over *O'Kane* in view of *Pou*. Additionally, the Examiner asserts that *O'Kane* “discloses the use of claim 9, but does not specifically disclose wherein the Exchange method includes immobilizing a physical media corresponding to the digital media files.” (Office Action, pg. 13, para. 11). The Examiner maintains that *Pou* discloses if the payment fails, the user can enter a different payment method and try again. **If** the user chooses not to try again or if no payment method offered is validated, the transaction is cancelled and access to the media file is denied ([0080]).” (emphasis in original). *Id.* Claim 22 requires “the step of receiving, from an owner of the item, a **physical** copy of the item prior to determining whether the digital master of the item exists in the central media database, wherein the commercial exchange **immobilizes the physical copy** of the item..” (emph. added). At most, *Pou* discloses denying access to the media file, rather than a physical copy corresponding to the media file. A media file is not a

physical media. See Specification, paras. [0010]-[0011],[0120]. The combination of *O'Kane* and *Pou* does not disclose all of the elements of Claim 22 and thus does not render Claim 22 obvious.

Claims 21-37 are thus believed to be in condition for allowance. A Notice of Allowability with respect to these claims is thus respectfully requested.

Conclusion

As set forth above, Applicant respectfully requests that the Examiner consider this Supplemental Amendment in place of the Office Action Response filed on March 26, 2010 and in place of the Response to Non-Compliant Amendment, filed on June 23, 2010 . Applicant believes the amendments and arguments made herein overcome all of the Examiner's objections and rejections and that Claims 21-37 (formerly Claims 1, 7 and 22-36) are in condition for allowance. Applicants respectfully request that a timely Notice of Allowance be issued for Claims 21-37 (formerly Claims 1, 7 and 22-36).

The Commissioner is hereby authorized to charge any additional fees or credit overpayment under 37 CFR 1.16 and 1.17 which may be required by this paper to Deposit Account 162201. If the Examiner believes that personal communication will expedite prosecution of this application, the Examiner is invited to telephone either Applicant's undersigned attorney, or attorney J. Philip Polster, at 314-238-2400.

Respectfully submitted,

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